



OFFICE OF THE COMPTROLLER
CITY OF ST. LOUIS



FILE COPY

DARLENE GREEN
Comptroller

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August 3, 2009

Ruth Smith, President and Chief Executive Officer
Human Development Corporation
929 Spring Avenue
St. Louis, MO 63108

RE: Community Development Block Grant (CDBG) (Project #2009-CDA49)

Dear Ms. Smith:

Enclosed is a report of our fiscal monitoring review of the Human Development Corporation, a not-for-profit organization, CDBG, for the period January 1, 2008 through December 31, 2008. The scope of a fiscal monitoring review is less than an audit, and as such, we do not express an opinion on the financial operations of the Human Development Corporation. Fieldwork was completed on February 20, 2009.

This review was made under authorization contained in Section 2, Article XV of the Charter, City of St. Louis, as revised and has been conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing* and through an agreement with the Community Development Administration (CDA) to provide fiscal monitoring to all grant sub-recipients.

If you have any questions, please contact the Internal Audit Section at (314) 622-4723.

Sincerely,

Dr. Kenneth M. Stone, CPA
Internal Audit Executive

Enclosure

cc: Jill Claybour, Acting Executive Director, CDA
Lorna Alexander, Special Assistant for Development, CDA



CITY OF ST. LOUIS

**COMMUNITY DEVELOPMENT ADMINISTRATION (CDA)
COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG)**

**HUMAN DEVELOPMENT CORPORATION (HDC)
CONTRACT #08-11-89
CFDA #14.218**

**FISCAL MONITORING REVIEW
JANUARY 1, 2008 THROUGH DECEMBER 31, 2008**

PROJECT #2009-CDA49

DATE ISSUED: AUGUST 3, 2009

**Prepared by:
The Internal Audit Section**



OFFICE OF THE COMPTROLLER

HONORABLE DARLENE GREEN, COMPTROLLER

**CITY OF ST. LOUIS
COMMUNITY DEVELOPMENT ADMINISTRATION (CDA)
COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG)
HUMAN DEVELOPMENT CORPORATION (HDC)
FISCAL MONITORING REVIEW
JANUARY 1, 2008 THROUGH DECEMBER 31, 2008**

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INTRODUCTION

Background

Contract Name: Harambee Program

Contract Number: 08-11-89

CFDA Number: #14.218

Contract Period: January 1, 2008 through December 31, 2008

Contract Amount: \$60,000 (Revised to \$66,000)

The contract provided funds from the Community Development Agency (CDA) to the Human Development Corporation (Agency) to provide daily supplemental educational tutoring to help cultivate abilities and encourage growth, challenging activities, field trips, recreational and cultural activities to children aged five to eighteen years.

Purpose

The purpose of the review was to determine Agency's compliance with federal, state and local CDA requirements for the period January 1, 2008, through December 31, 2008, and make recommendations for improvements as considered necessary.

Scope and Methodology

Inquiries were made regarding the Agency's internal controls relating to the grant administered by (CDA). Evidence was tested supporting the reports the Agency submitted to CDA and other procedures performed as considered necessary. Fieldwork was completed February 20, 2009.

Exit Conference

The Agency was offered the opportunity for an exit conference on July 9, 2009; however, the Agency declined.

Management Responses

The management's responses to the observations and recommendations identified in the report were received from the Agency on July 23, 2009. These responses have been incorporated into this report.

SUMMARY OF OBSERVATIONS

Conclusion

The Agency did not fully comply with federal, state and local CDA requirements.

Status of Prior Observations

The Agency's previous fiscal monitoring report, Project #2008-CDA19, issued November 25, 2008, contained two observations.

1. Going concern issues
2. Failure to comply with OMB Circular A-133 "Period of Availability" requirements
(Repeated – see current observation #3)

A-133 Status

The Agency expended \$500,000 or more in federal funds for fiscal year ended September 30, 2008; therefore, it was required to have a single audit in accordance with OMB Circular A-133.

As of the fieldwork end date the Agency had not prepared A-133 audit report for the fiscal ended September 30, 2007. The prior A-133 audit report for the fiscal year 2007 is still in draft form and has not yet been finalized.

Summary of Current Observations

Recommendations were made for the following observations, which if implemented, could assist the Agency in fully complying with federal, state and local CDA requirements.

1. Opportunity to prepare financial statements
2. Opportunity to file A-133 audit report
3. Opportunity to comply with "Period of Availability of Federal Funds" requirements (repeated – questioned costs \$1579.76)
4. Opportunity to improve internal controls over equipment

DETAILED OBSERVATIONS, RECOMMENDATIONS AND MANAGEMENT'S RESPONSES

1. Opportunity to Prepare Financial Statements (Repeated)

The Agency did not prepare monthly and annual financial statements of its CDBG fund activities. These financial statements provide reasonable assurance that reports of federal awards submitted to the federal awarding agency or pass-through agency are supported by underlying accounting and performance records, and are fairly presented in accordance with program requirements.

Section 6 of the grant fund contract agreement between CDA and the Agency states, "The Operating Agency shall be required to submit monthly financial statements as specified in the CDA Operating Agency Fiscal Procedures Manual, no later than the 10th calendar day of each month to the Comptroller's Office – Federal Grant Section.

The Agency did not have effective system of internal control in place to ensure compliance with the reporting requirements of OMB circular A-133 and the grant agreement.

Non-compliance with the federal awards reporting requirements may result in suspension or termination of the grant agreement.

Recommendation

It is recommended that the Agency establish and implement internal control to ensure its compliance with the reporting requirements of the grant agreement.

Management's Response

I agree that monthly financials have not been filed in timely manner by the 10th of each month. I will make every concerted effort to do so in the future.

DETAILED OBSERVATIONS, RECOMMENDATIONS AND MANAGEMENT'S RESPONSE

2. Opportunity to File A-133 Audit Report

The Agency's A-133 audit for fiscal year end September 30, 2007 was not finalized and filed.

An OMB Circular A-133 audit is required for non-federal not-for-profit entities that expend \$500,000 or more a year in federal awards. The report should be completed, and submitted to the clearinghouse designated by the OMB within the earlier of 30 days after the receipt of the auditor's report or nine months after the end of the audit period.

The Agency's A-133 audit report for fiscal year ended September 30, 2007, was due February 15, 2008, but as of the fieldwork end date it has not yet been finalized and submitted.

The Agency did not have internal control in place to ensure compliance with the A-133 audit report filing requirements of OMB Circular A-133.

Non-compliance with the filing requirements of A-133 report may result in termination of the Agency's CDBG fund agreement with CDA.

Recommendation

It is recommended that the Agency:

- File the past due fiscal year ended September 30, 2007 A-133 audit report
- Establish internal controls to ensure timely filing of this report in the future

Management's Response

See Auditors comment

Auditor's Comment

Agency submitted the fiscal year 2007 A-133 audit report, dated April 13, 2009, to the Federal Audit Clearinghouse on July 20, 2009.

This observation is considered resolved.

**DETAILED OBSERVATIONS, RECOMMENDATIONS AND
MANAGEMENT'S RESPONSES**

**3. Opportunity to Comply with "Period of Availability of Federal Funds"
Requirements (Repeated – Questioned Costs \$1579.76)**

The Agency requested reimbursement for the obligations under fiscal year 2007 award that did not comply with "Period of Availability of Federal Funds" requirements of OMB Circular A-133 as follows:

- The Agency requested reimbursement more than 90 days after the end of the funding period:

Vendor	Invoice Date	Reimbursement Request Date	Invoice Amount	Days Lapsed
Laidlaw	October 27, 2007	March 13, 2008	\$234.00	148

- The Agency requested reimbursements for fiscal year 2008 expenditures with fiscal year 2007 award funds:

Vendor	Invoice Amount	Invoice Date	Reimbursement Request Date	Federal Award Period
Target	\$ 347.76	January 1, 2008	March 13, 2008	2007
Best Buy	998.00	January 1, 2008	March 13, 2008	2007
Total	\$1345.76			

According to the Period of Availability compliance requirement of the OMB Circular A-133, a non-federal agency:

- Shall liquidate all obligations incurred under the award no later than 90 days after the end of the funding period
- May charge to the award only costs resulting from obligations incurred during the funding period and any pre-award costs authorized by the federal awarding Agency

The Agency did not have internal control in place to comply with the "Period of Availability of Federal Funds" compliance requirements of OMB Circular A-133.

Non-compliance with the requirements of OMB Circular A-133 may result in the termination of the grant agreement.

**DETAILED OBSERVATIONS, RECOMMENDATIONS AND
MANAGEMENT'S RESPONSES**

2. Continued...

Recommendation

It is recommended that the Agency establish internal controls to ensure costs incurred under the award are:

- Charged to the award period to which they belong
- Liquidated no later than 90 days after the end of the funding period

In addition, it is recommended that the Agency repay CDA \$1,579.76 (\$234.00 + \$1,345.76) for the program costs requested for reimbursement after the "Period of Availability of Federal Funds."

Management's Response

Laidlaw trip taken 10/27/07 was late in processing. Best Buy and Target invoices, were cut in December and not picked up until January 2008.

Auditor's Comment

Internal Audit Section stands by its observation. It further recommends that the Agency repay CDA \$1,579.67 for the program cost requested for reimbursement after the "Period of Availability of Federal Funds."

DETAILED OBSERVATIONS, RECOMMENDATIONS AND MANAGEMENT'S RESPONSES

4. Opportunity to Improve Internal Controls over Equipment

The Agency had inadequate records of and controls over equipment.

The Agency did not list equipment as outlined in CDA Operating Agency Manual and failed to include required information such as acquisition date, acquisition cost, serial number, condition and disposal date, if applicable.

During a physical inventory, the Agency was unable to locate a Compaq Presario and a Logitech Camera listed on Agency's inventory report. In addition, the grant-funded equipment was not properly tagged as grant funded.

Section 4.1 of the CDA Operating Agency Manual states, "An agency shall maintain adequate records for equipment and real property purchased with federal funds. Such records shall include contract number, description of the item, acquisition cost and date, model/serial number, location and condition. If disposals are made, permission must first be obtained from CDA and any receipts from sales should be reported to CDA."

The Agency did not follow the grant-funded equipment record keeping requirements outlined in the CDA Operating Agency Manual.

When adequate records are not maintained for the grant-funded equipment, it is not adequately safeguarded from unauthorized use or theft. In addition, non-adherence to the CDA operating guidelines may result in suspension or termination of the grant agreement.

Recommendation

It is recommended that the Agency maintain inventory records as prescribed by the CDA Operating Agency Manual, perform a physical inventory annually and update the inventory list as necessary for new or disposed equipment.

Management's Response

Asset tracking document that shows all equipment purchased with CDA funds, and tagged with stickers purchased by Human Development Corporation. I was not aware nor have I seen stickers that state purchased by CDA. In our brochure, it states that program is funded by CDA.

**DETAILED OBSERVATIONS, RECOMMENDATIONS AND
MANAGEMENT'S RESPONSES**

4. Continued...

Auditor's Comment

Section 4.1 of the CDA Operating Agency Manual states, "An agency shall maintain adequate records for equipment and real property purchased with federal funds. Such records shall include contract number, description of the item, acquisition cost and date, model/serial number, location and condition. If disposals are made, permission must first be obtained from CDA and any receipts from sales should be reported to CDA."

Internal Audit Section stands by its observation.